Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/24/2003

GAIN Report #AJ3001

Azerbaijan, Republic of

Product Brief

Poultry and Products

2003

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Report Highlights:
U.S. poultry exports to Azerbaijan exhibited significant growth in 2002 due to favorable market conditions and the competitive advantage of U.S. poultry. The total number of importers of U.S. poultry has increased to nine. This has translated into growth in U.S. poultry exports as well as an increase in the diversity of brands and products exported. While competition remains fierce, 2003 should be another good year for U.S. poultry and product exports.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ankara [TU1], AJ

Section I: Market Overview

U.S. poultry exports to Azerbaijan grew significantly in 2002 due to favorable market conditions. The total number of importers of U.S. poultry increased to nine. This has translated into growth in U.S. poultry exports as well as an increase in the diversity of brands and products exported. Unofficial U.S. exports of chicken leg-quarters and franks were about 35,000 MT in 2002. Due to transshipments through other countries, this figure is much higher than that reflected in official U.S. trade statistics.

Total monthly poultry consumption in Azerbaijan is approximately 12,000 MT. Local production accounts about 25 percent of this total, or about 3,000 MT. Imports from the other countries is approximately 5,000 to 6,000 MT while imports from the United States account for the remaining 3,000 to 4,000 MT (most of this being leg-quarters) . Eighty percent of these imports are brought through the Black Sea to the port of Poti in Georgia, then to Baku. Twenty percent are imported via the UAE to Bandar Abbas in Iran, to Astara in Azerbaijan, and directly to Baku.

Local market conditions are changing in Azerbaijan. The supermarket concept has grown faster in Azerbaijan compared to any other country in the CIS region. Four years ago, supermarkets started with two outlets from Dubai. Today the development of this sector has resulted in an increase in the number of major supermarkets to fifteen. Examples include; Ramstore, Citi Mart Continental, Ekvator, Elita, Grand Stores and New World Center. In addition to these supermarkets, there are numerous mini-markets, bazaars, and grocery stores that sell U.S. chicken items.

A few years ago, supermarkets were only carrying U.S. chicken leg-quarters, and franks. Currently, U.S. poultry products found in supermarkets include chicken drumsticks, sausages, gizzards, breasts (as well as whole turkey and turkey drumsticks and wings). Although the wholesale/wet market in Azerbaijan continues to be the major sales outlet, the purchasing pattern of the Azeri consumer is steadily moving into the supermarket and other retail outlets (mini-markets and groceries).

The estimated distribution breakdown of poultry and product sales in Azerbaijan by sector is; 22% for supermarkets; 68% for wet markets, and 10% for mini-markets and groceries in the years 2001 and 2002. Five years ago, 100% of sales took place in the wholesale markets.

Supermarket and retail outlet representatives go to the wholesale markets to collect supplies. Hotels and supply companies get their supplies either from the wholesale market or from the coldstores that are usually owned by importers. Many importers work as wholesalers and many wholesalers in turn are retail traders. Importers, who are mostly receiving shipments in bulk, prefer to sell to wholesalers rather than directly deal with the retail or catering sector.

While per capita income remains quite low in Azerbaijan, the beginning of the construction of the Baku-Tiblisi-Ceyhan pipeline is expected to bring increased oil revenues and investment to Azerbaijan. In the next ten years, this should result in further expansion of the retail and HRI food sectors. As U.S. poultry products are consumed by most market sectors in Azerbaijan, growth is expected to continue.

Section II: Market Opportunities and Threats

A. Poultry Imports

Competition is also capitalizing on the growth of the supermarket sector in Azerbaijan. Imported poultry items are sourced from different countries, as follows:

Brazil:	Whole chicken Drumsticks Breasts (boneless filet)
France:	Whole chicken Franks Breasts
Turkey:	Chicken franks Chicken breasts Chicken drumsticks Chicken gizzards Chicken wings Whole chicken
Hungary:	Whole chicken
Germany:	Chicken franks Chicken sausages
Poland:	Chicken franks
U.A.E:	Chicken franks Chicken drumsticks

Even with the wide variety of chicken parts mentioned, consumers prefer U.S. chicken leg quarters which have 85% market share. U.S. leg quarters are priced more competitively compared to whole chicken of all sources, including locally produced poultry. The market remains price driven, and U.S. leg quarters satisfy a broad spectrum of consumer demand.

B. Local Production:

Azeri local poultry production is showing signs that it may rebound from years of stagnation and lack of investment. Farms are currently better organized and some are undertaking new investments. Operations remain relatively small, however. Lack of modern facilities and access to high quality feed ingredients are expected to continue to limit rapid growth in domestic production. Nonetheless, domestic production is expected to grow modestly over the next several years. Local production of chicken is approximately 3,000 MT per month. Azerbaijan, therefore, is still dependant on foreign imports.

Domestic whole birds are perceived to be of better quality on the market place due to their freshness, however the birds are small and sell at a significant premium to U.S. leg quarters. As domestic and imported products (especially leg quarters) vary greatly with respect to function and price, both sectors are expected to experience moderate growth as per capita consumption increases in Azerbaijan. Any significant gain in the market share of domestic production is likely to be at the expense of whole-bird imports.

According to government statistics, egg production in Azerbaijan has increased in recent years after a significant decline from levels twenty years ago. 2002 domestic production is estimated to be between 500,000,000 and 550,000,000 eggs. Relatively small quantities of eggs (approximately 85,000,000 eggs) are imported annually from Turkey and Iran.

Section III: Costs and Prices

Price Comparisons:

U.S. chicken leg-quarters	: $ 1.50- $ 1.60per kg.
Turkish whole chicken	: $ 2.70- $ 2.90per kg.
Brazilian whole chicken	: $ 2.77 per kg.
Hungarian whole chicken	: $ 2.66 per kg.
French whole chicken	: $ 2.45 - $ 2.66 per kg.
Azeri whole chicken	: $ 2.0 - $ 2.25 per kg.

Note: Prices based on Jan. 2003 prices.
Several brands of imported whole chicken are available. France offers *Sabco* and *Doux*. Turkish chicken brands are; *Banvit*, *Pilikchi* and *Mudurnu.* Hungarian chicken is branded as *Saga Foods.* Brazilian birds available are the *Sadia* brand.

Section IV: Market Access

These imported items are subject to a total duty of 36%, based on 18% value added tax (VAT), 15% customs duty, and 3% custom fees.

There are no trade barriers on U.S. chicken imports as far as governmental requirements or health certificates or similar documentation are concerned. However, the Azeri poultry market is concentrated by a few companies that import most poultry products.

Section V: Key Contacts and Further Information

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